

Service Date: November 26, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF the Reductions in the)	UTILITY DIVISION
Intrastate Rate By Carriers Offering Lifeline)	
Service Pursuant to Section 254 of the)	DOCKET NO. D97.11.223
Telecommunications Act of 1996.)	ORDER NO. 6028

PROPOSED ORDER

NOTICE IS HEREBY GIVEN by the Montana Public Service Commission that the action initiated by this order and discussed herein is preliminary in nature and will become final unless a person whose interests will be substantially affected files a petition for a formal proceeding by the close of business on December 8, 1997.

BACKGROUND

1. On May 8, 1997, the Federal Communications Commission (FCC) issued its Report and Order, CC 96-45, Order No. 97-157 (May 8, 1997) (FCC Order), which addresses universal service. The FCC Order sets the stage for implementing key portions of . 254 of the Telecommunications Act of 1996, 104 Pub. L. No. 104, 110 Stat. 56 (1996) (the Act). The FCC order, *inter alia*, identified services to be supported by federal universal service funding and the mechanisms whereby such funding will be provided. The Lifeline program that provides discounts on telecommunications service for low-income consumers is a program that will receive increased federal support.

2. The Montana Legislature established the Montana Telephone Assistance Program in 1987 to enable Montana local exchange carriers to participate in Lifeline to benefit their low-income customers. *See* . 69-3-1001-1007, MCA. Participating Montana carriers currently match the federal waiver of the \$3.50 subscriber line charge for their Lifeline customers, which results in a \$7 discount on the monthly charge for local exchange service for each Lifeline customer.

3. Beginning January 1, 1998, federal Lifeline support will include the current baseline amount of \$3.50, plus \$1.75 in additional federal support, for a total amount of \$5.25

per month in federal support per Lifeline customer. In addition, the federal fund will match half of any intrastate support, up to a maximum of \$7 in federal support. In Montana, where carriers provide \$3.50 worth of support each month to each Lifeline customer, the new federal matching will add another \$1.75 to the discount. As a result, each Montana Lifeline customer will receive a total discount of \$10.50 per month (except that the discount cannot exceed the carrier's monthly charge for residential service).

FINDINGS OF FACT AND COMMISSION DECISION

1. As a condition to receiving the increased federal Lifeline support, the FCC requires each state utility commission to approve the additional intrastate rate reductions in order for local exchange carriers to provide the reductions to Lifeline customers. Specifically, the FCC's rules adopted on May 8, 1997 provide in pertinent part:

The federal baseline Lifeline support amount shall equal \$3.50 per qualifying low-income consumer. If the state commission approves an additional reduction of \$1.75 in the amount paid by consumers, additional federal Lifeline support in the amount of \$1.75 will be made available to the carrier providing Lifeline service to that consumer. Additional federal Lifeline support in an amount equal to one-half the amount of any state Lifeline support will be made available to the carrier providing Lifeline service to a qualifying low-income consumer if the state commission approves an additional reduction in the amount paid by that consumer equal to the state support multiplied by 1.5. The federal Lifeline support shall not exceed \$7.00 per qualifying low-income consumer.

47 C.F.R. . 54.403

2. If the Commission does not approve the \$3.50 additional intrastate rate reductions for Lifeline customers, Montana eligible telecommunications carriers and the low-income customers they serve would not be able to obtain the increased federal support for Lifeline.

CONCLUSIONS OF LAW

1. The 1997 Montana Legislature directed the Montana Public Service Commission to set the discount in the charge for local exchange service that is at least \$3.50 a month for each eligible subscriber and not more than the amount that is the difference between the otherwise applicable current rate for local exchange service and the rate as it existed on April 22, 1997. Section 69-3-1001(2), MCA.

2. The Commission must approve additional intrastate rate reductions for services covered by Lifeline support in order for local exchange carriers to provide the reductions to Lifeline customers. Section 69-3-1006, MCA.

ORDER

IT IS ORDERED that additional intrastate rate reductions totaling \$3.50 for Lifeline customers are approved by the Montana Public Service Commission unless the Commission receives a written request for hearing from a person whose interests are substantially affected by this proposed agency action. A request for hearing must be received no later than the close of business on December 8, 1997.

DONE AND DATED this 24th day of November, 1997 by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)